

*City of San José*

# City Budget and General Fund Overview

Mayor's Budget Shortfall Advisory Group

October 2007

# BUDGET OVERVIEW

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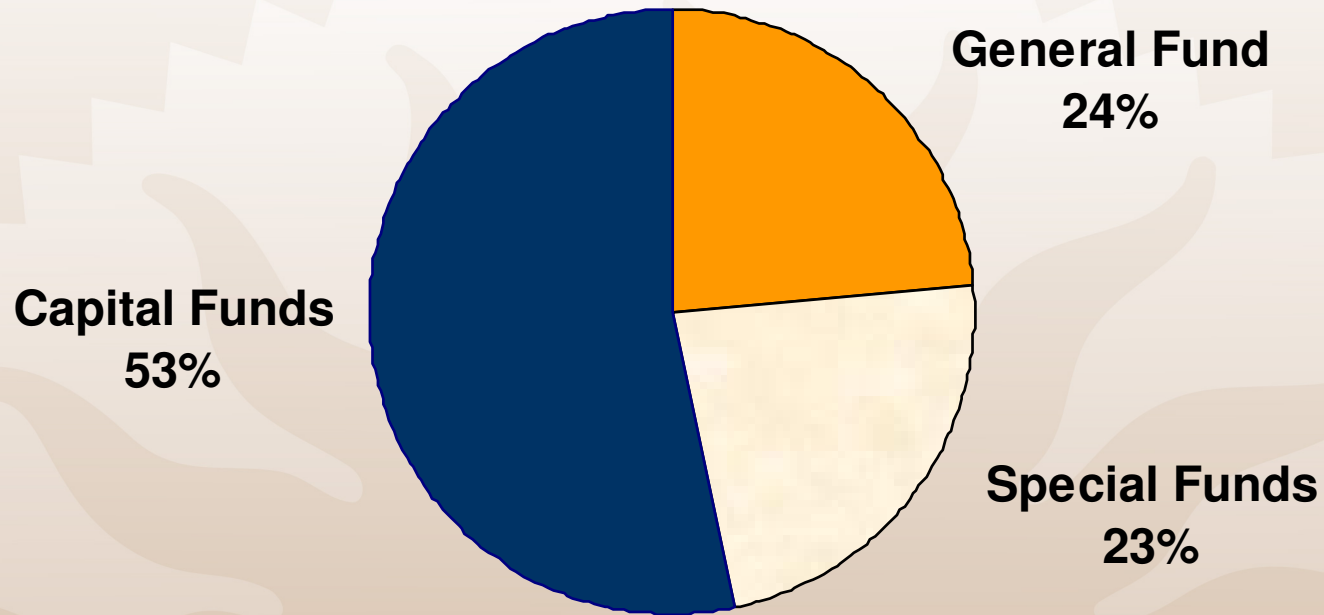
## CITY BUDGET OVERVIEW

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<b>2007-2008 ADOPTED CITY BUDGET:</b>	<b>\$3.7 billion</b>
<b>TOTAL NUMBER OF FUNDS:</b>	<b>112</b>
<b>TOTAL NUMBER OF EMPLOYEES:</b>	<b>6,992</b>

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# CITY BUDGET OVERVIEW

## Major Services Provided by the General Fund

Police Services

Fire Suppression and Emergency Medical Services

Emergency Preparedness Services

Library Operations

Neighborhood and Regional Park Operations

Community Center and Facility Operations

Youth, Adult, & Senior Programs and Classes

After School Programs, At-Risk Youth Services

Code Enforcement Services

Street and Roadway Maintenance

Transportation Planning & Inter-Agency Coordination

Development Services

Economic Development Activities

Special Events Planning and Arts Support

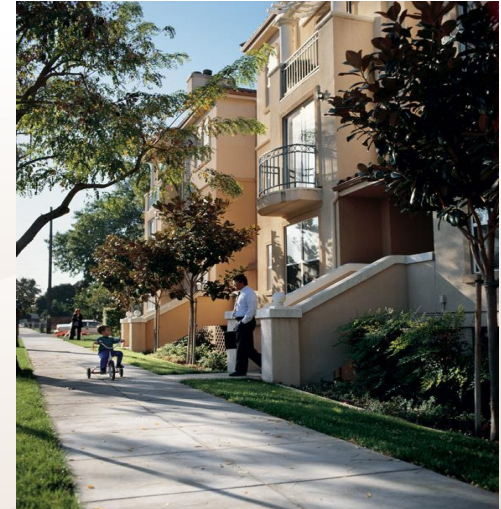
Long-Range Planning Services



# CITY BUDGET OVERVIEW

## Services Provided by Special Funds

San José Mineta International Airport  
Water Pollution Control Plant  
Sanitary Sewer System  
Storm Sewer System  
Municipal Water Services  
Garbage and Recycling Services  
Parking Operations  
Convention Center and Cultural Facilities Operations  
San José Convention and Visitors Bureau and Cultural Grants  
Community Development Block Grant Programs/Capital Projects  
Low and Moderate Income Housing Services  
Homeless Services  
Healthy Neighborhoods Venture Fund Services  
Workforce Development and Assistance





# CITY BUDGET OVERVIEW

## Capital Programs

Airport Capital Program  
Civic Center Capital Program  
Communications Capital Program  
Developer Assisted Capital Program  
Library Capital Program  
Municipal Improvements Capital Program  
Parking Capital Program  
Parks and Community Facilities Capital Program  
Public Safety Capital Program  
Sanitary Sewer Capital Program  
Service Yards Capital Program  
Storm Sewer Capital Program  
Traffic Capital Program  
Water Pollution Control Capital Program  
Water Utility System Capital Program



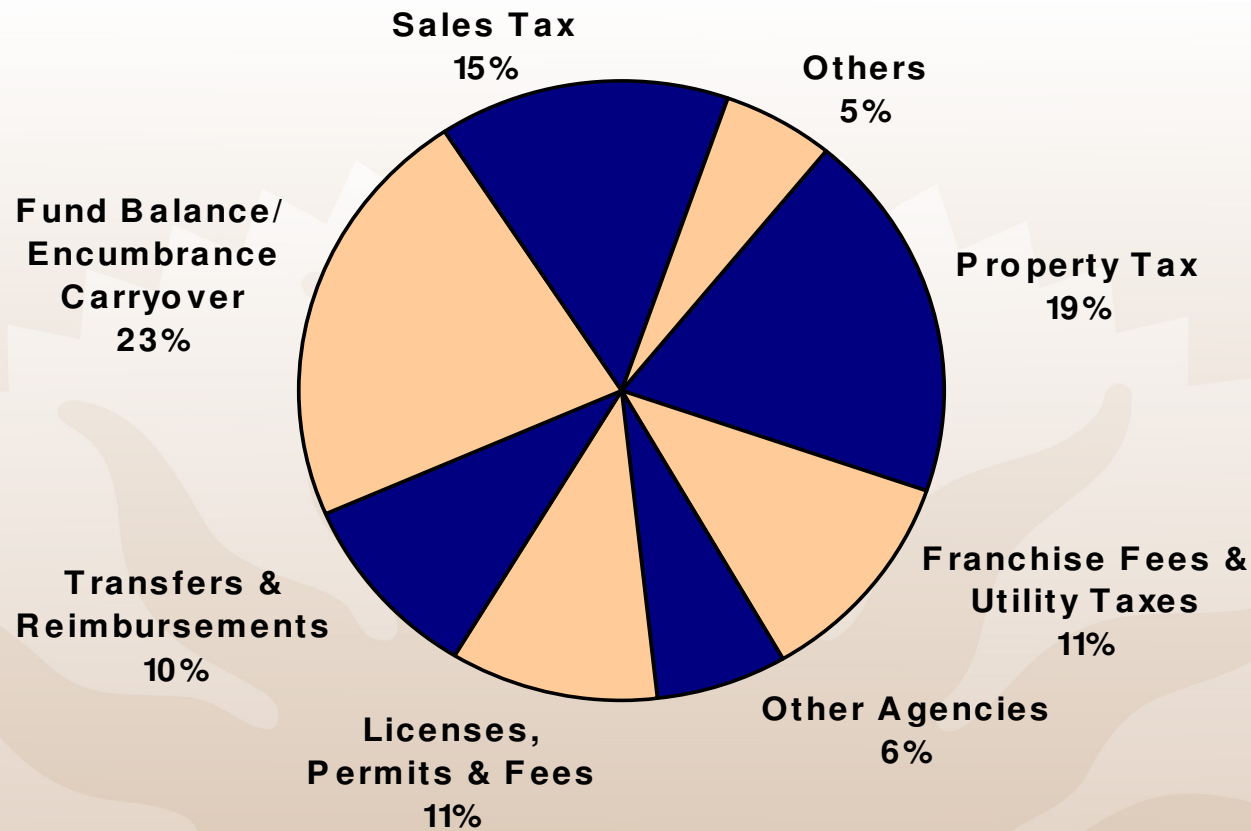
# BUDGET OVERVIEW

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## GENERAL FUND OVERVIEW

# BUDGET OVERVIEW

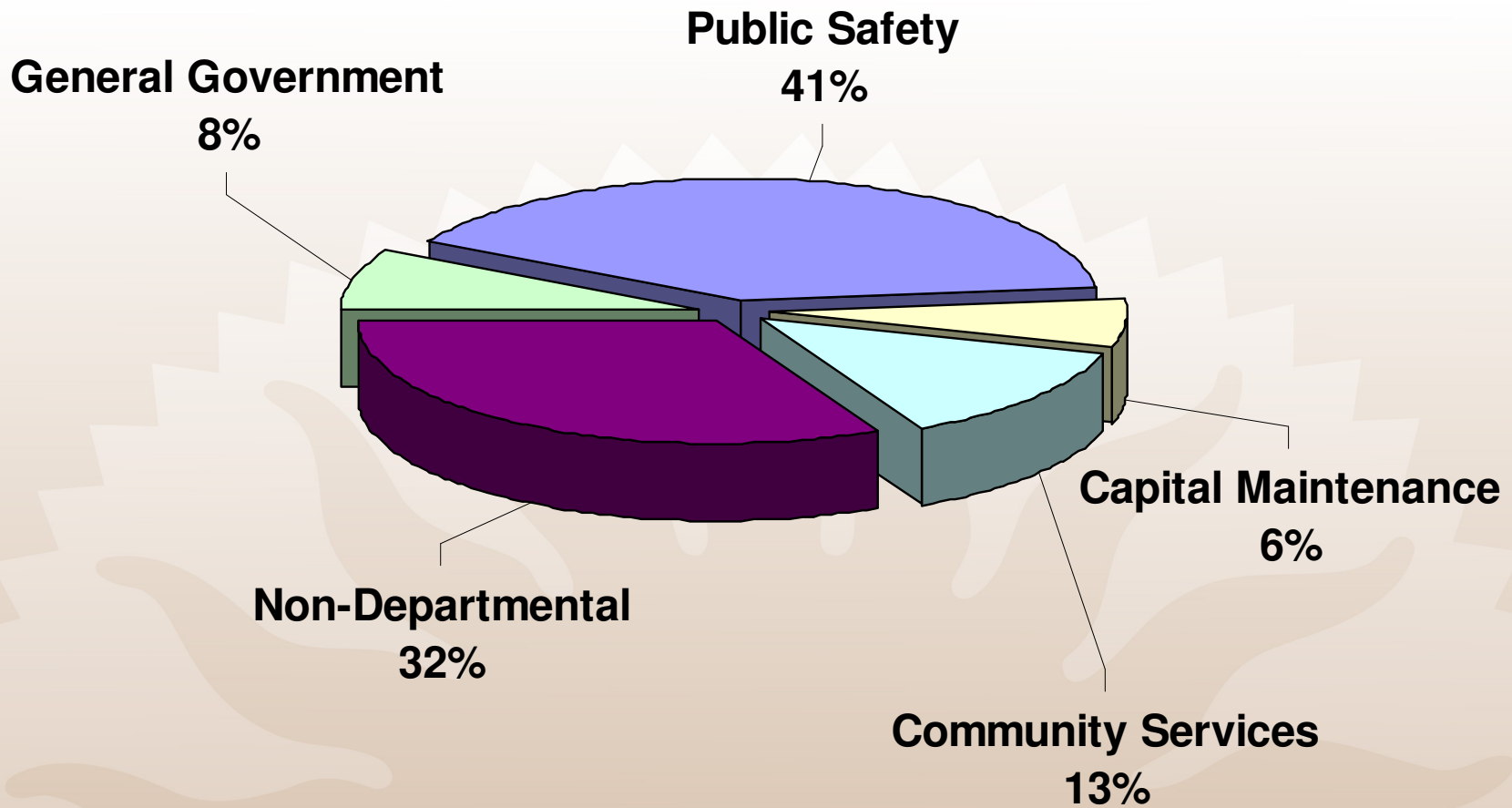
## Sources of General Fund Revenues



2007-2008 Adopted Budget

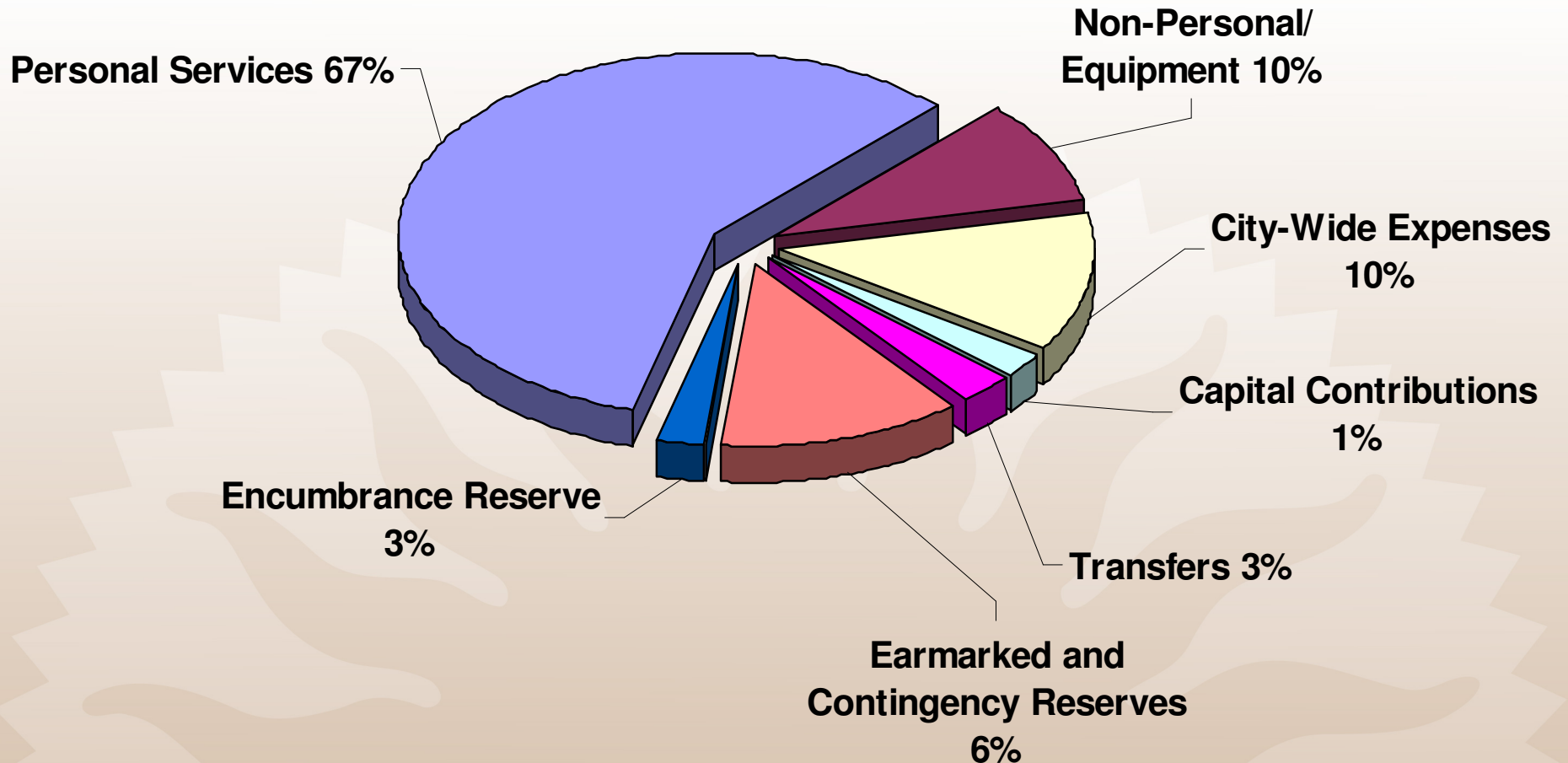


# Summary of General Fund Uses

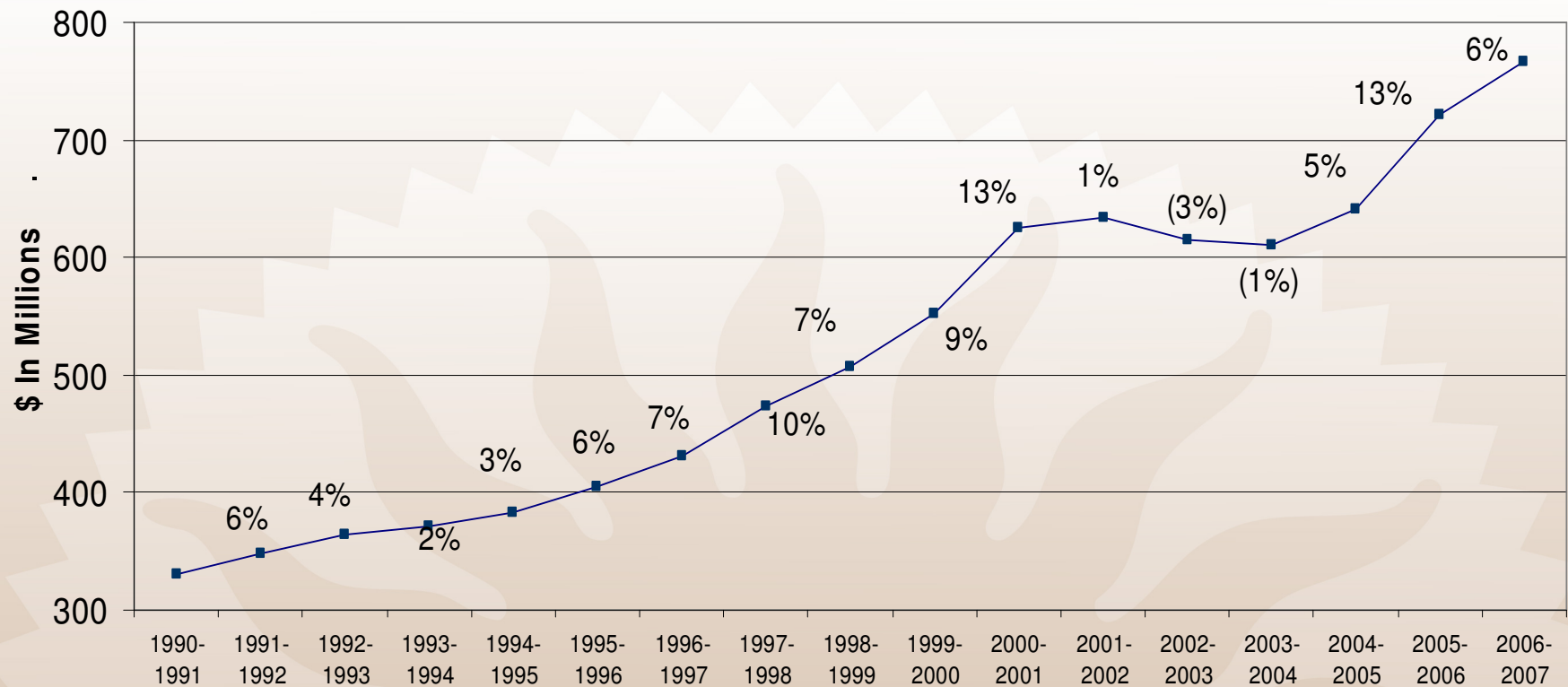


**TOTAL GENERAL FUND USES: \$1,031,779,500**

# General Fund Uses by Category

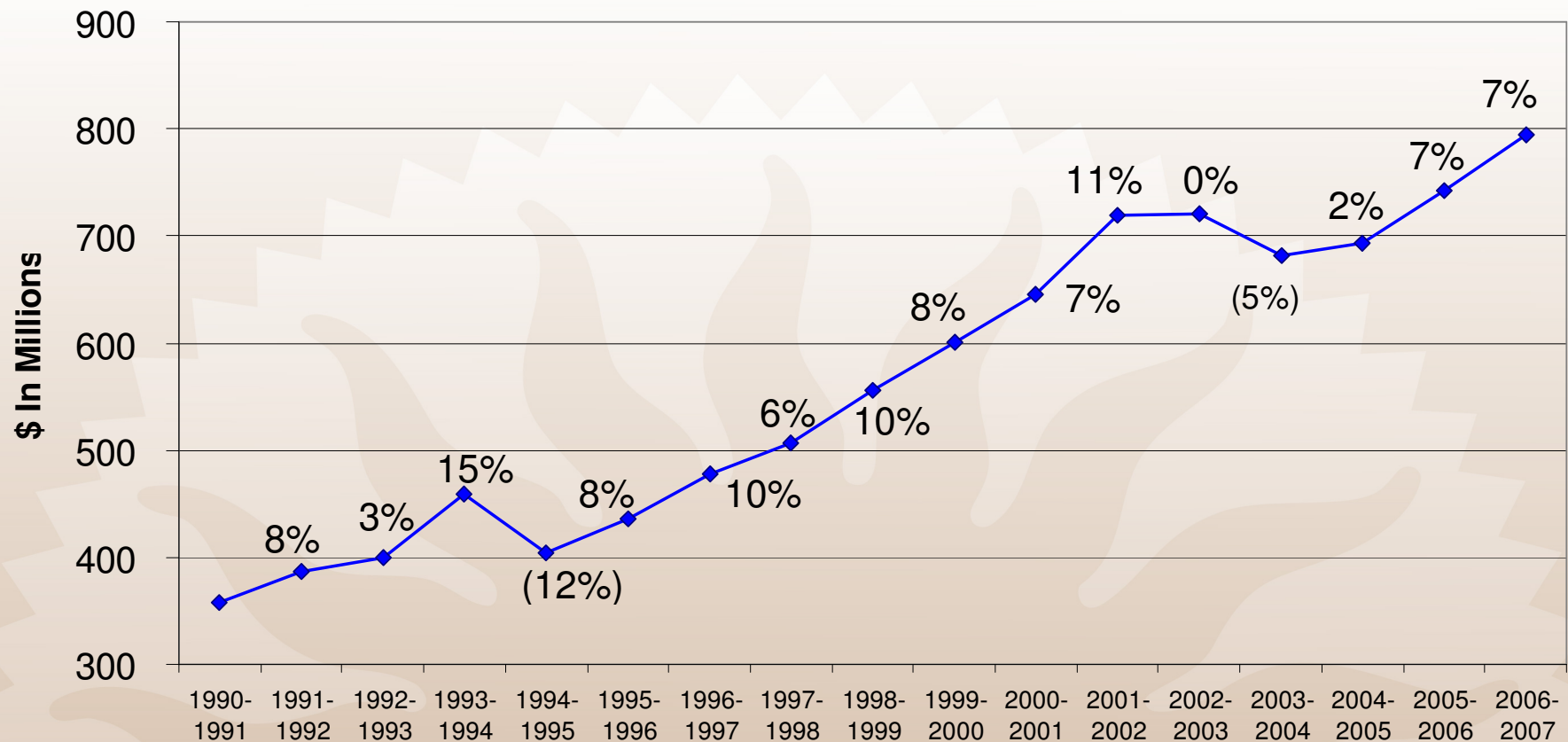


# GENERAL FUND REVENUES (Adjusted) 1990-1991 through 2006-2007 (Actuals)



# GENERAL FUND EXPENDITURES

## 1990-1991 through 2006-2007 (Actuals)



# MAJOR STATE BUDGET ACTIONS

## General Fund Impact (1990-1991 to 2006-2007)

Description of Action	Cumulative Cost / Revenue Loss to City	Annual Cost / Revenue Loss to City
Allowed the County to charge cities for Property Tax collection (1991-1992)	\$15,781,000	\$2,506,000
Diversion of Cigarette Tax (1991-1992)	18,509,000	1,368,000
Allowed the County to charge cities for booking prisoners at County jails (Restored in 1999-2000)	30,756,000	2,154,000
Withdrew half of Vehicle Citation Fees (Restored in 1998-1999)	7,700,000	0
ERAF Property Tax Shift (1992-1993)	319,983,000	35,975,000
Elimination of County's Animal Control Program (Program shifted to City in 1993-1994)	34,795,000	4,080,000
Proposition 172 – Public Safety Sales Tax (1993-1994)	(55,982,000)	(4,622,000)
Motor Vehicle In-Lieu Tax Diversion (2003-2004)	846,000	0
San Jose Contribution to State (2004-2005/2005-2006)	22,200,000	0
<b>TOTAL</b>	<b>\$394,586,000</b>	<b>\$41,461,000</b>

## BUDGET OVERVIEW

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# RECENT GENERAL FUND SHORTFALL INFORMATION

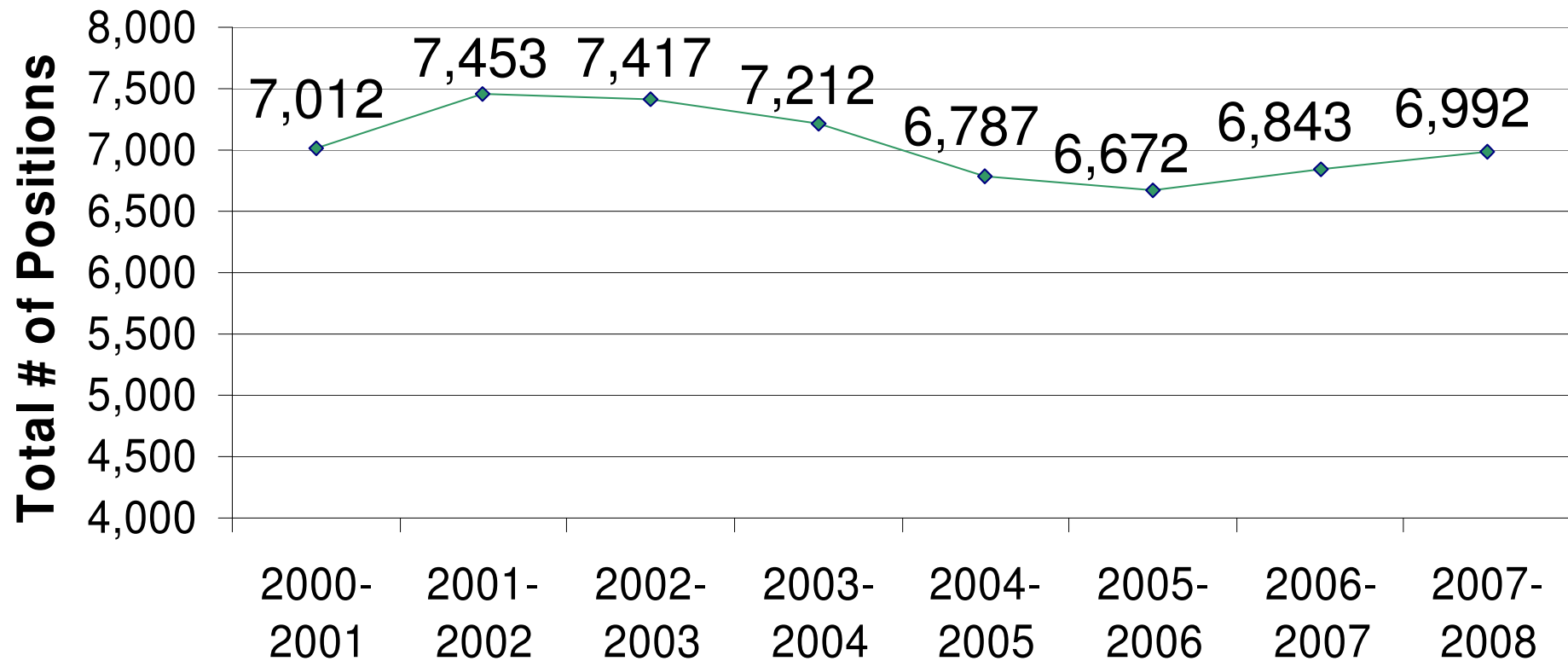


# RECENT GENERAL FUND BUDGET SHORTFALLS & CITY-WIDE POSITION CHANGES

	Total General Fund Shortfall	City-Wide Position Changes (All Funds)
2002-2003	\$ 46.3 M	(36)
2003-2004	\$ 92.1 M*	(204)
2004-2005	\$ 81.7 M*	(427)
2005-2006	\$ 58.1 M	(115)
2006-2007	\$ 34.9 M	172
2007-2008	\$ 19.9 M	149
<b>TOTAL</b>	<b>\$ 333.0 M</b>	<b>(461)</b>

\* Includes State impact of \$10.8 million in 2003-04 and \$11.4 million in 2004-05

# TOTAL CITY-WIDE STAFFING COMPARISON



# GENERAL FUND SHORTFALL STRATEGIES

## 2002 to 2008

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- Service and position reductions and eliminations
- Establishment of an Emergency Communication System Support Fee (\$23 million)
- Use of Future Deficit Reserves
- Use of the Economic Uncertainty Reserve (\$15.8 million)
- Fee increases to maintain or increase cost-recovery for various services
- Transfers from other funds (where allowable)

# GENERAL FUND SHORTFALL STRATEGIES

## 2002 to 2008 (Cont'd.)

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- Use of savings generated from cost-containment strategies and hiring freeze:
  - Employee wage freeze in 2005
  - Expenditure controls on technology, marketing, office furniture, equipment, and vehicle purchases
  - Voluntary furloughs and special reduced work weeks
  - Use of departmental Cost/Position Management Plans to force savings (2002-2007)
  - City-wide hiring freeze (Nov. 2001 - present)
    - Exception: Sworn Police, Sworn Fire, Dispatchers, and Part-time Unbenefited Staff

# GENERAL FUND OVERVIEW

## Examples of Recent General Fund Reductions

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- Community Facility closures
- Elimination of a Police Traffic Enforcement Unit (1 of 8)
- Reduction in library branch hours and services
- Reduction in regional and neighborhood park maintenance and other City facility maintenance
- Reduction in pavement and landscape maintenance, sidewalk repairs, and maintenance in traffic signs, signals, roadway markings, and street lights
- Refocus from proactive to reactive community code enforcement
- Reduction in long-range planning efforts

## BUDGET OVERVIEW

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# **MOST RECENT GENERAL FUND FORECAST AND STRUCTURAL DEFICIT**



# GENERAL ECONOMIC ENVIRONMENT

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## February 2007 Five-Year Forecast (2008-2012)

- Modest Growth in Economically Sensitive Revenues
- Slightly Higher Job Growth in Last Year; Still Well Below Peak
- Will Not Return to Growth Levels in Late 1990s nor Drop Back into a Recession
- Largest Risks: Drop in Real Estate Market and Lack of Sales Tax Growth

# 2008-2012 GENERAL FUND SHORTFALL

## General Fund Shortfall (\$ in Millions)

<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
(\$16.2)*	(\$25.5)	(\$34.3)**	(\$3.6)	(\$7.8)

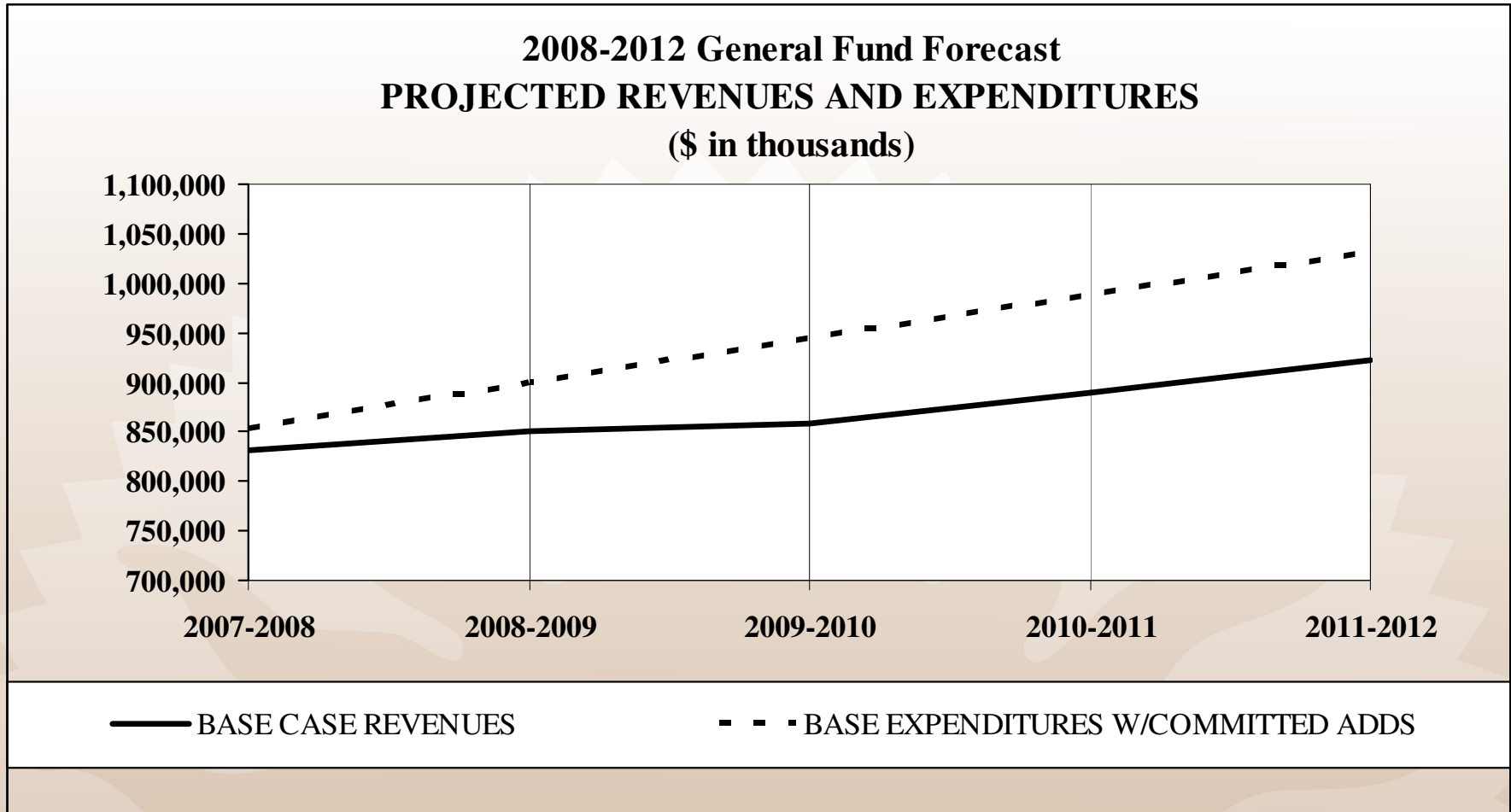
\* 2007-2008 Proposed Budget deficit revised to \$16.0 million for basic shortfall

\*\* Reflects sunseting of Emergency Communication System Support Fee (\$20.6 million in Forecast)

February 2007 Five-Year Forecast

# 2008-2012 GENERAL FUND FORECAST

## Structural Deficit



February 2007 Five-Year Forecast

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# General Fund Structural Deficit

## General Fund Structural Deficit\* (\$ in Millions)

	2008- 2009	2009- 2010	2010- 2011	2011- 2012	Total
<b>Projected Shortfall (Feb 2007 Forecast)</b>	\$25.5	\$34.3	\$3.6	\$7.8	\$71.2
<b>Unmet/Deferred Infrastructure &amp; Maintenance Needs</b>	\$39.7	-	\$3.2	(\$2.7)	\$40.2
<b>GASB 43/45 (General Fund Retirement Benefits)</b>	\$21.6	-	-	-	\$21.6
				<b>Total</b>	<b>\$133.0</b>

\* Numbers will be updated as new information is available in the coming months

# NEXT STEPS

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- Release of Preliminary Five-Year Forecast
  - New Information:
    - 2006-2007 Annual Report
    - Fire arbitration
    - Economic impact of a worsening housing market and national economy
- General Fund Structural Deficit Task Force
- Deferred Maintenance & Infrastructure Backlog Working Group
- Retiree Healthcare (GASB) Team

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